

December 4, 2014

Office of Health Policy
c/o Diona Mullins, Policy Advisor
Cabinet for Health & Family Services
275 E. Main Street, 4W-E
Frankfort, KY 40621



Re: Special Memorandum, dated October 8, 2014
Certificate of Need Modernization: Core Principles

Dear Ms. Mullins,

First, I must say that it is quite refreshing to hear that the Cabinet wishes to modernize the Certificate of Need (CON) process and the State Health Plan (SHP). While CON has been in place since the 1970's, there have been many changes in the healthcare delivery system since that time and we applaud your efforts to make sure CON and the SHP reflect that. However, we also believe the underlying purpose of CON remain important today and that the process is needed "to improve the quality and increase access...and to create a cost efficient health care delivery system for the...Commonwealth."

Two key principles resonated with the leadership at Norton Healthcare: (1) Supporting the Evolution of Care Delivery and (2) Incentivizing Development of the Full Continuum of Care. As with many healthcare organizations across the state, Norton has a desire to provide the full continuum of care to those that we serve, either directly or through other partnership arrangements. We have demonstrated our commitment to meeting community needs over the years by our expansion of access points - hospitals, ambulatory surgery, urgent care and practice sites - as well as our recruitment of clinical workforce and other support services through education, prevention and wellness activities and the like. We remain committed to serving the needs of our fellow Kentuckians and others in the most efficient and cost effective manner for both patients and providers.

Healthcare has seen a continued shift of services from the inpatient arena to outpatient, with advances in technology and care delivery models. But there is still a large population group that has a need for acute and post-acute care services. In acute care stays, costs are often highest during the initial days of stay in the hospital setting. As the patient improves, costs may decline while the patient stabilizes and is able to be discharged to another type of setting or to their home.

The average daily census for acute care services in Kentucky is 6,096, and there are 13,219 licensed acute care beds in the state. At the same time, long-term care facilities average almost 90% of licensed capacity with many facilities operating at close to 100%. Further 80+% of these patients are Medicare and Medicaid patients, the vast majority of course being Medicare patients. Kentucky's population is aging at a rapid pace. Today we have more than 600,000 people over the age of 65, many of whom need some type of medical assistance. In 25 years, that number is expected to grow by more than 50% to exceed 1,060,000 people.

Consistent with the original goals of CON to create a cost efficient healthcare delivery system for the Commonwealth, we suggest that existing hospitals repurpose existing bed capacity for an appropriate post-acute care service. This would reduce disruption for patients and families while supporting efforts to coordinate and ensure consistency of care amongst a patient's care team. The challenge is to ensure that hospitals can receive reimbursement for the appropriate level of care and enable modification of support services as appropriate for that type of care.

Of course, the lowest cost setting would be to discharge the patient to home. However, there are many occasions when hospitals are unable to do that because of lack of appropriate and available services in the market. Hospital reimbursement is also impacted by how effective post-acute care services are at preventing readmissions, which may affect discharge planning. As hospitals strive to meet the needs of patients across the full continuum of care, we believe hospitals should be afforded the opportunity to provide home health or other post-acute care services.

Norton would welcome the opportunity to provide examples of this efficacy and begin dialogue with the Cabinet on creative ways to enable modifications to care structures based on patient needs while enabling fair reimbursement and ensuring continued high quality outcomes for the patient.

Your memo stated "Better care, increased value and improved population health depend on an integrated continuum of care in which providers communicate with each other and ensure that patients receive timely, coordinated care in an appropriate setting." We couldn't agree more. For example, Norton has made a significant investment in our information technology platform by implementing an electronic medical record (EMR) that encompasses both the ambulatory as well as the acute care service. This is a unique asset and provides an advantage that no other Kentucky health system can provide, to our knowledge. Norton's EMR not only combines a patient's physician and urgent care visits with their acute care stays into one medical record, but it is also available to the patient directly through electronic means. This enhances the communication amongst the patient's caregivers as well as with the patient themselves. We have a desire to continue to expand services and develop partnerships to enhance this information and empower patients to lead healthy, productive lives.

We are also seeing a shift in the methods by which patients receive services, and many markets are responding with the provision of e-visits with patients for basic health services. We believe

this is a great opportunity to add efficiencies to care delivery, allowing onsite visits to focus on those more complex chronic patients with multiple healthcare needs.

To conclude, Norton is excited about the future of healthcare delivery in our state and we reiterate our commitment to being a leader in the community and in the state. We welcome the opportunity to support and partner with the Cabinet as you explore what Kentucky's future healthcare environment looks like. We look forward to engaging in further dialogue around CON and the SHP and offer our expertise and resources to assist, if you believe we can add value.

Thanks again for the opportunity to share our thoughts and observations.

Very truly yours,

A handwritten signature in cursive script that reads "Mary Jo Bean". The signature is written in dark ink and is positioned above the printed name and title.

Mary Jo Bean

Vice President, Planning and Business Analysis

cc: Stephen A. Williams, Chief Executive Officer
Russell F. Cox, President and Chief Operating Officer
Michael W. Gough, Chief Financial Officer
Mary Michael Corbett, VP, Government Relations